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C O N F I D E N T I A L SECTION 01 OF 04 SHANGHAI 000225

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SUBJECT: EAST CHINA CONTACTS ON CHINA'S SUPERVISION SYSTEM

REF: A) BEIJING 533; B) 06 SHANGHAI 3843; C) 06 BEIJING 23885

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REASON: 1.4 (b), (c), (d)

¶1. (C) Summary. East China contacts described a multilayered but relatively ineffective supervision system that did little to end rampant corruption among Chinese officials. One contact with the Shanghai People's Congress claimed the problem was systemic and due to lack of rule of law. Another from the Nanjing Party School said that there were too many supervision organizations, leading to bureaucratic inefficiencies and an inability to properly supervise government and party officials. The Shanghai People's Congress contact laid out how investigations run by the party's Discipline Inspection Commission typically unfolded, to illustrate how the process was driven by political decisions and did not, as a Nanjing contact asserted, reflect an expression of Chinese democracy. Although none of the contacts we spoke with were certain about what the new State Corruption Prevention Bureau --likely to be set up this year--would do, several expressed concern that it would overlap with functions of already established organs and two doubted it would have much overall impact. End summary.

A Multifaceted System

¶2. (SBU) During an April 6 discussion with several Nanjing Party School (NPS) professors, NPS Executive Vice President He Jiaquan explained that the national Chinese supervision system consisted of five separate parts. These included: the Central Discipline Inspection Commission (CDIC) that investigated internal party malfeasance (Ref A); the Ministry of Supervision (MOS), which was the governmental mirror of the CDIC; the Procuratorate and court system for trying cases; the media, which played a watchdog function; and public supervision through the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) systems. He noted that on January 1, 2007, the new Supervision Law passed by the NPC went into effect, enacting a "strict work procedure." He also noted that Nanjing Municipality had a "Corruption Prevention Committee" comprised of representatives of all of the

organs involved in combating corruption to coordinate the inter-agency effort.

13. (C) During an April 17 discussion, Shanghai Municipal People's Congress Training Department's Zhou Meiyan added a sixth layer, explaining that the Letters and Visits system was also a major part of the supervision system (Ref B). She noted that of the six parts, the Discipline Inspection Commissions (DICs) at all levels had the most power. The DICs worked with the Procuratorate to decide which cases needed to be handled internally within the party and not by state prosecutors. Zhou elaborated that the Procuratorate's responsibility was to inform the DIC of any cases involving party members. The DICs actually made the decisions about which cases could remain with, or be referred to, the Procuratorate and which needed to be handled with greater sensitivity by Party investigators. Zhou said that there was little differentiation between the CDIC and the MOS, describing them as "one office, two placards." Both were housed in the same office and, with the exception of the top leaders, there was no distinction between which employees worked for which bureaucracy. Moreover, since almost all of the government officials that the MOS supervised were also party members, there was no practical way to differentiate where the authority of one organization left off and the other's began.

Just Too Many Cats

14. (C) Professor He complained that people were wondering why there continued to be so much corruption when there were already so many supervisory agencies. He said it appeared to be a case of "so many cats, that they can't catch the mice," meaning that the agencies were stumbling over each other in their efforts, ensuring that "nothing gets done." One reason for this, he noted, was that local DICs and Supervision Bureaus were supervised by the localities, meaning that the anticorruption agencies answered to those they were supposed to monitor.

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15. (C) Professor He noted that there were some recent major examples--such as Shanghai--where Beijing moved to replace the DIC heads with people accountable to the center, but did not think this practice would extend much beyond its current scope. Nanjing, however, had adopted a rule that the head of a local DIC needed to come from outside the locality. Likewise, a Nanjing DIC head who was promoted needed to find work outside of the Province. He said this was not a nation-wide practice, however.

16. (C) Ms. Zhou, on the other hand, believed that the practice of replacing provincial DIC secretaries with Beijing appointees would expand as the center tried to rein in recalcitrant provinces. She believed that the relatively recent central appointments in Shanghai, Tianjin, and Beijing would have some marginal utility in supervising the municipal leadership since the new DIC secretaries were answerable to Beijing. Ms. Zhou said these new secretaries were also undoubtedly well-connected to the Politburo, noting that she believed the new Shanghai DIC head, Shen Deyong, was close to Vice President Zeng Qinghong through connections in the Organization Department. Ms. Zhou assessed that the practice of having the next administrative level up choose the DIC secretaries of the level below would likely eventually become standard practice.

17. (C) Zhou remained skeptical, however, that central control over provincial DICs would do much to curb corruption in the long run. First, unless they were frequently transferred, Zhou believed it likely that the local DIC secretaries would still develop relationships with those they were supposed to supervise, making them less inclined to rock the boat. More importantly, since supervision relied on people monitoring other people, or organizations monitoring other organizations, rather than adherence to and application of the rule of law, there was simply too much room for corruption.

Anatomy of a DIC Investigation

¶8. (C) Professor He explained that the DIC, as a tool for investigation, was a useful vehicle for democratic expression. DIC investigations could be launched one of two ways. First, every citizen had the right to submit a complaint to the Letters and Visits Office. Complaints concerning specific behaviors of party members would trigger a DIC investigation. Second, every government and party bureaucracy was required to produce an end of year work report. Every person within the organization was then expected to give the leader of the organization a grade on the report, of "excellent," "competent," "basically competent," or "not competent." Cadres whose evaluation came up as "excellent" received a bonus equivalent to an extra month and a half's salary. Cadres who received an overall review of "competent," received an extra month's salary. If, however, 30 percent or more of the respondents rated an official as "basically competent" or "not competent," a DIC investigation would automatically be triggered.

¶9. (C) Separately, while Ms. Zhou acknowledged that Professor He was correct in his description about how a number of the DIC investigations were launched, she disputed the notion that this was any sort of democratic procedure, noting that He was not telling the whole story. Aside from poor evaluations and people's letters, many DIC investigations were launched based on referrals from the Procuratorate, or simply because someone at a higher level had an axe to grind.

¶10. (C) Moreover, not every case that came before the DIC was investigated. When a case came to the attention of the DIC, its Case Examination Office (CEO) (anjian shencha shi) would examine the initial complaint to see whether it merited further investigation. If the CEO decided the case warranted a closer look, it would refer the case to the DIC secretary who would consult with and get the approval to move forward from the party secretary at the next level above the suspect. Once the

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decision was made to investigate, a team would quietly make a preliminary investigation into bank accounts and other financial records to uncover some sort of irregularity. Zhou said that the DIC could uncover or manufacture some sort of dirt on any Chinese official it wanted to.

¶11. (C) After some initial findings were dug up, the suspect would be invited to dinner or breakfast at a hotel where he was told he would stay the night. This was the so-called "Two

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Restrictions" or "Shuang Gui", where the person was asked to report at a certain time and a certain place (Ref C). Once the official--generally unwitting of any problem at this point--showed up at the appointed time and place, he was sequestered in a room, where he would be told he would be held until the case was resolved. Zhou noted that since the confinement of Chen Liangyu, many Shanghai officials joked that if someone invited you to coffee or lunch, you were fine, but if it was dinner or breakfast you were in serious trouble. (Comment: It would appear that it is common practice for officials to stay overnight at hotels for dinner or breakfast meetings, or else the invitation would probably be a dead giveaway of pending doom and a cue for the suspect to flee. End comment.)

¶12. (C) The person would then be held incommunicado until the DIC inspection team completed its work. DIC teams were given great leeway in how to run their investigations and often left no stone unturned in their efforts to find as much dirt on a person as possible. During a house arrest in the hotel, the suspect would be constantly criticized and interrogation techniques would be employed to wear down resistance. The suspect would be told that his friends, coworkers, and relatives

had already told the teams everything about the case and the suspect would be encouraged to tell the team his or her side of the story to "make things easier on yourself." The official would be told he knew why they had been placed under "Shuang Gui" and that they needed to write daily self criticisms. Once the team completed its investigation, it would turn the evidence over to the Procuratorate and the courts for sentencing and punishment. (Note: The team could also decide to handle the matter entirely within the party. End note.)

¶13. (C) The whole problem with the DIC investigation system was that it was based on political decisions. Once a decision had been made to investigate a cadre, guilt was usually a foregone conclusion. The investigation itself was used to build up evidence to support a decision that had already been made. Zhou noted that since this system was not based on the rule of law, but rather on decisions of unelected, unaccountable party officials, it was a sham to say that it represented any sort of Chinese democracy.

¶14. (C) Zhou cited the Chen Liangyu case to prove her point. Despite having been under house arrest for over half a year, the CDIC investigation team had still produced no hard evidence of Chen's malfeasance. The money that Chen had supposedly misappropriated had all been recovered, and Chen's case had still not been turned over to prosecutors. Chen's biggest crimes, Zhou opined, were having been affiliated with the wrong political faction, ignoring central policy directives, and making personally disparaging remarks about Hu Jintao. Zhou said her contacts in Beijing had assessed that if Zeng Qinghong had not "turned" in his allegiance from party elder Jiang Zemin to Hu Jintao, Chen would not have fallen. However, when Zeng made the switch, he abandoned Chen to the wolves.

A New Ministry in the Works But What Will it Do?

¶15. (C) With a massive anticorruption bureaucracy already in place unable to stem the tide of bureaucratic malfeasance, it was only a matter of time before the Chinese government decided to add one more layer of bureaucracy to "fix" the problem. During an April 6 meeting with officials from the Jiangsu Academy of Social Sciences (JASS), President of the School of Political Sciences Bian Min--and Ms. Zhou separately--confirmed Xinhua reports that the State Council planned to set up a new State Corruption Prevention Bureau (SCPB) in the near future, with Bian noting that Beijing had already decided on how many staff the Bureau would have.

¶16. (C) Ms. Zhou said she had heard from friends in Beijing that the idea for the Bureau had actually come from the CPPCC. Some of the CPPCC representatives had presented it to the government as part of their "democratic oversight" responsibility as a way to help combat the pervasive problem of corruption. Zhou said that when the CPPCC presented its suggestions to the Politburo, members had little political choice but to wholeheartedly agree to its establishment or risk looking as if they personally had something to hide. Exactly when the Bureau would be established was unclear, but Ms. Zhou believed it would be by year end.

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¶17. (C) During an April 17 conversation, Jiaotong University Law Professor Zhou Wei said that, initially, there had been high expectations and hope that the agency would act like Hong Kong's Independent Commission Against Corruption. However, now, as Professor Zhou understood it, the Bureau would be organizationally under the Supervision Ministry, rendering it ineffective at performing any independent investigations. (Note: Professor Zhou's assessment of where the SCPB would fit organizationally differed from our contacts in Nanjing who expected the Bureau would be directly under the supervision of the State Council. In late February and late March, Xinhua reported that CDIC and MOS officials also said that the new

Bureau would fall under the State Council. End note.)

¶18. (C) What functions the SCPB would ultimately have, was even less well understood. Professor He believed that the SCPB would be solely a central government-run organization, funded by Beijing, and doubted it would have provincial offices. He believed it would serve a coordinating function, much like the Nanjing Corruption Prevention Bureau and would directly supervise top provincial leaders. From that perspective, NPS Director of the Scientific Socialism Department Wu Shu said he believed that the Bureau would have a great deal of overlap with the CDIC and the Ministry of Supervision, but did not go into detail. Wu thought that part of the Bureau's function would be to draw lessons from foreign and Hong Kong experiences on building a clean government and help devise policies to strengthen punishments. JASS's Bian believed that the SCPB would focus more on finding ways to prevent corruption rather than overlapping much with the CDIC's and Ministry of Supervision's investigative authority. Bian noted that corruption was a serious problem and Beijing recognized it needed to focus more on prevention than solely on punishment.

¶19. (C) Chief of the JASS Research Section Tian Boping added that he thought the goal was worthy, but that it would be difficult to carry out. He said that if the central government had the will, it would carry out the "effective" establishment of the Bureau. Whether that carried down to real implementation at the local level, where corruption was most rampant, would be a different story. Ms. Zhou had no insights on what the function of the new Bureau would be, other than expecting it would likely duplicate efforts already underway in the CDIC and Procuratorate. She opined that corruption was a structural problem involving lack of rule of law and that adding another layer of bureaucracy would have little overall impact without an overhaul of the political system.
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